[These financial statements have not been audited]

CENTRAL KAROO ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/221676/07)

ANNUAL FINANCIAL STATEMENTS
For the period ended 30 June 2014

CENTRAL KAROO ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/221676/07)

ANNUAL FINANCIAL STATEMENTS
For the period ended 30 June 2014

GENERAL INFORMATION

Country of incorporation and domicile:	South Africa
Nature of business and principal activities:	Stimulate economic growth
Director:	M Hugo E M Van Der Westhuisen W H Holzapfel T S Mbolekwa N M Wicomb
Registered office:	27 Clyde House Building Donkin Street Beaufort West 6970
Holding Entity:	Central Karoo District Municipality
Bankers:	Nedbank
Auditors:	Auditor - General South Africa
Company registration number:	2012/221676/07
Annual financial statement compiler:	NW Nortje

INDEX

	Page
Director's responsibilities and approval	1
Independent auditors' report	2 - 3
Directors' report	4 - 5
Statement of financial position	6
Statement of financial performance	7
Statement of changes in net assets	8
Statement of cash flow	9
Notes to the annual financial statements	10 - 25

CENTRAL KAROO ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/221676/07)

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 2008 as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) and the Companies Act of South Africa, 2008 as amended, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The director acknowledges that he is ultimately responsible for the system of internal financial control established by the Agency and place considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Agency and all employees are required to maintain the highest ethical standards in ensuring the Agency's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Agency is on identifying, assessing, managing and monitoring all known forms of risk across the Agency. While operating risk cannot be fully eliminated, the Agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The director is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Entity's cash flow forecast for the period to 30 June 2015 and, in the light of this review and the current financial position, they are satisfied that the Entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently providing reasonable assurrance by reviewing and reporting on the Agency's annual financial statements. The annual financial statements have been examined by the Agency's external auditors and their report is presented on page 2 and 3.

The annual financial statements set out on pages 6 to 24, which have been prepared on the going concern basis, were approved by the board and were signed on its behalf by:

Ex officio director

29 August 2014
Date

DIRECTOR'S REPORT
For the period ended 30 June 2014

The director submits his report for the period ended 30 June 2014.

1 Main business and operations

The main objectives of the Entity are to stimulate economic growth in the Central Karoo district through promotion of entrepreneurial activity, leveraging of business development support and facilitation of investment into strategic economic sectors and spatial nodes.

2 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3 Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4 Authorised and issued share capital

In the current period, 100 ordinary shares were issued to Central Karoo District Municipality.

5 Dividends

No dividends were declared or paid to shareholders during the period.

6 Directors

The director of the company during the year and to the date of this report is as follows:

Name	Nationality
M Hugo	RSA
E M Van Der Westhuisen	RSA
W H Holzapfel	German
T S Mbolekwa	RSA
N M Wicomb	RSA

7 Holding company

The company's holding entity is Central Karoo District Municipality, that owns 100% of the issued shares.

8 Auditors

Office of the Auditor - General in accordance with the MFMA.

CENTRAL KAROO ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

(REG NO: 2012/221676/07)
STATEMENT OF FINANCIAL POSITION
For the period ended 30 June 2014

	NOTES	2014 R	2013 R
NET ASSETS AND LIABILITIES			
Current assets		**225,743**	**389,550**
Cash and Cash Equivalents	8	225,643	389,450
Receivables from Exchange Transactions		100	100
Total assets		**225,743**	**389,550**
EQUITY AND LIABILITIES			
Equity		**100**	**100**
Share Capital	5	100	100
Contribution from owners	6	670,417	237,534
Accumulated (deficit) / Surplus		(670,417)	(237,534)
Current Liabilities		**225,643**	**389,450**
Unspent conditional government grants and receipts	3	225,643	389,450
Total equity and liabilities		**225,743**	**389,550**

CENTRAL KAROO ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/221676/07)

STATEMENT OF FINANCIAL PERFORMANCE
For the period ended 30 June 2014

	NOTES	2014 R	2013 R
Revenue from non-exchange transactions			
Government Grants and Subsidies - Operating		163,154	-
Total income		**163,154**	**-**
EXPENDITURE			
Employee Related Costs	**7**	392,472	180,233
General expenses	**9**	204,117	57,301
Total expenditure		**596,589**	**237,534**
Deficit before taxation		**(433,435)**	**(237,534)**
Taxation	**10**	-	-
Deficit for the year		**(433,435)**	**(237,534)**

CENTRAL KAROO ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/221676/07)

STATEMENT OF CHANGES IN NET ASSETS
For the period ended 30 June 2014

	Share Capital R	Contributions from owners R	Accumulated deficit R	Total R
Balance at 1 July 2012	-	-	-	-
Contribution from owners		237,534	-	**237,534**
Share issue	100	-	-	**100**
Surplus/(deficit) for the year	-	-	(237,534)	**(237,534)**
Balance at 1 July 2013	100	237,534	(237,534)	**100**
Contribution from owners	-	432,782	-	**432,782**
Share issue	-	-	-	**-**
Deficit for the year	-	-	(433,435)	**(433,435)**
Balance at 30 June 2014	**100**	**670,317**	**(670,970)**	**(553)**

CENTRAL KAROO ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2014

	Notes	2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Other		163,154	-
Government			
Interest earned - external investments		-	-
Payments			
Suppliers and employees		(596,589)	(237,534)
Repayment of loan		(163,154)	-
Cash absorbed by operations		(596,589)	(237,534)
Net Cash flows from operating activities		**(596,589)**	**(237,534)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans raised	6	432,782	237,534
Net Cash flows from investing activities		**432,782**	**237,534**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(163,807)**	-
Cash and cash equivalents at the beginning of the year		389,450	389,450
Cash and cash equivalents at the end of the year		225,643	389,450
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(163,807)**	-

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Entity resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are discussed in the notes that follow.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, *Central Karoo District Municipality*, and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

Municipal entities are all controlled entities over which the Municipality has ownership control or effective control to govern the financial and operating policies of such controlled entities so as to benefit from its activities.

All inter-entity transactions and balances, unrealized gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate the accounting policies of controlled entities conform to the policies adopted by the Municipality.

1.7. PRESENTATION OF BUDGET INFORMATION

No budget information is provided. The entity commenced operations in the current period. No budget was approved by the entity in the period under review.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Entity:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	**Consolidated and Separate Financial Statements**	**Unknown**

	The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Entity does not have any entities at this stage to be consolidated.	
GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Entity is not involved in any joint ventures.	**Unknown**
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. No significant impact is expected as the Entity does not have any departments or segments at this stage.	**Unknown**
GRAP 20 **(Original – June 2011)**	**Related Party Disclosure** The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. No significant impact expected due to the limited number of transactions entered into by the entity.	**Unknown**
GRAP 32 **(Original – Aug 2013)**	**Service Concession Arrangements: Grantor** The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	**Unknown**

GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 108 **(Original – Sept 2013)**	**Statutory Receivables** The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	**Unknown**
IGRAP 11	**Consolidation - Special Purpose Entities (SPE)** The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Entity does not have any SPE's at this stage.	**Unknown**

IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Entity does not have any JCE's at this stage.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the Entity once implemented.

1.8. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.8.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Entity estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Entity considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Entity operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be

  used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.9. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position consist only from receivables from exchange transactions.

1.9.1 Initial Recognition

Financial instruments are initially recognised when the Entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Entity, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.9.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.9.2.1 *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.9.3 De-recognition of Financial Instruments

1.9.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Entity has transferred substantially all the risks and rewards of the asset, or (b) the Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Entity has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Entity's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Entity could be required to repay.

When continuing involvement takes the form of a written agreement and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Entity's continuing involvement is the amount of the transferred asset that the Entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.10. CONTRIBUTIONS FROM OWNERS

Ordinary shares are classified as Contributions from owners.

If the Entity reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in surplus/deficit on the purchase, sale, issue or cancellation of the Entity's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.11. RELATED PARTIES

The Entity resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,

- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Entity:

(a) A person or a close member of that person's family is related to the Entity if that person:
- has control or joint control over the Entity;
- has significant influence over the Entity. Significant influence is the power to participate in the financial and operating policy decisions of the Entity;
- is a member of the management of the Entity or its controlling entity.

(b) An entity is related to the Entity if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the Entity or an entity related to the Entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a);
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Entity. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Entity, including:

(a) all members of the governing body of the Entity;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Entity;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Entity; and

(d) the senior management team of the Entity, including the Chief Executive Officer or permanent head of the Entity, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Entity being the Chief Executive Officer.

Remuneration of management includes remuneration derived for services provided to the Entity in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Entity for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Entity.

The Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.12. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act. No. 20 of 1998) or is in contravention of the Entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of

Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to meet the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.16. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Entity discloses the nature and an estimate of the financial effect.

1.17. TAXATION

1.17.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.17.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.17.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2 Financial risk management

2.1 Market Risk

The Agency's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Agency's financial performance. The following risks could have a potential impact on the Agency:

Foreign currency risk

The Agency does not engage in foreign currency transactions.

Price risk

The Agency is not exposed to equity securities price risk.

Interest rate risk

The Agency is not exposed to any interest rate risks.

Credit risk

The Agency is not currently exposed to any credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and loans, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Agency treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Agency's risk to liquidity is a result of the funds available to cover future commitments. In the case of the Agency, these costs will only include the costs to de-register the entity.

2.2 Capital risk management

Capital is managed on a consolidated basis which groups the Agency and the holding entity. Additional capital is available in the form of shareholders loans should circumstances require it or business opportunities arise. Within the Economic Entity, Central Karoo District Municipality has the responsibility to manage capital in order for the group to maintain the optimal capital structure.

For the purposes of capital risk management, the following is regarded as capital of the entity.

	2014 R	2013 R
Share capital	100	100
Contribution from owners	670,317	237,534
	670,417	237,634

		2014 R	2013 R
3	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Conditional Grants	225,643	389,450
	Industrial Development Corporation (IDC)	225,643	389,450
		225,643	389,450
	Government Grants and Subsidies - Capital	-	-
	Government Grants and Subsidies - Operating	225,643	389,450
		225,643	**389,450**
3.1	**Industrial Development Corporation (IDC)**		
	Opening balance	389,450	389,450
	Grants received	-	-
	Conditions met - Operating	(163,807)	-
	Conditions still to be met	**225,643**	**389,450**

4 Deferred tax asset

No deferred tax asset was created for the assessed tax loss, since it is still unclear whether there will be taxable income in the future.

		2014 R	2013 R
5	**Share Capital**		
	Authorised		
	1000 Ordinary shares with a nominal value R1 each	1,000	1,000
	Issued		
	100 Ordinary shares with a nominal value of R1 each	100	100
6	**Contribution from owners**		
	Opening balance	237,534	-
	Additional contribution from owners	432,782	237,534
		670,317	237,534
7	**Employee Related Costs**		
	Salaries and Wages	349,326	144,612
	Contributions for UIF, Pensions and Medical Aids	16,669	4,536
	Bonuses	26,478	30,587
	Overtime	-	499
		392,472	180,233
8	**CASH AND CASH EQUIVALENTS**		
	Assets		
	Current account	225,643	389,450
		225,643	389,450

Current Account
Nedbank 1052237526

		2014 R	2013 R
9	**General expenses**		
	Computer Expenses	-	3,025
	Finance charges	653	-
	Fuel and Oil	-	1,263
	Municipal Services	14,120	6,600
	Subsistence and Travelling	36,864	20,767
	Telephone	26,507	22,174
	Other	125,973	3,472
		204,117	57,301
10	**Taxation**		
	Normal taxation	-	-
	No taxation is payable since the Agency has incurred a loss in the current period.		
11	**Cash generated from (used in) operations**		
	Deficit before taxation	(433,435)	(237,534)
	Adjustments		
	Increase in Receivables	(100)	(100)
		(433,535)	(237,634)
12	**Budget Comparison**		
	No budget was prepared for the 2013/2014 financial year as the Agency was still in the pre-establishment phase.		

		2014 R	2013 R
13	**Unauthorised, irregular, fruitless and wasteful expenditure disallowed**		
13.1	**Unauthorised expenditure**		
	All expenditure incurred in the current year is deemed to be unauthorised due to the lack of an approved budget.		
	Unauthorised expenditure awaiting condonement	**596,589**	**237,534**
13.2	**Fruitless and wasteful expenditure**		
	No fruitless and wasteful expenditure was incurred in the current year.		
13.3	**Irregular expenditure**		
	No Irregular expenditure was incurred in the current year.		
14	**Additional disclosure in terms of Municipal Finance Management Act (MFMA)**		
	No monies were paid with regards to entities as prescribed in section 125(1)(b) and section 125(1)(c) of the MFMA.		
15	**Events after reporting date**		
	None		
16	**Contingent liabilities**		
	The Agency has no contingent liabilities for the financial period ended 30 June 2014.		
17	**Related parties**		
	There were no related parties transactions in the current year, except for contributions from owners.		